

# Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended .

Unit Name	Hematite Township	County	IRON	Type	TOWNSHIP	MuniCode	36-1-030
Opinion Date-Use Calendar	Jul 14, 2008	Audit Submitted-Use Calendar	Jul 15, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".**

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 155,426.00
General Fund Expenditure:	\$ 128,450.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 153,851.00
Governmental Activities Long-Term Debt (see instructions):	\$ 40,800.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Dianne	Last Name	Rostagno	Ten Digit License Number	1101021859				
CPA Street Address	101 West Maple Street	City	Iron River	State	MI	Zip Code	49935	Telephone	+1 (906) 265-1040
CPA Firm Name	DS Rostagno CPA P.C.	Unit's Street Address	PO Box 67	City	Amasa	LU Zip	49903		

**HEMATITE TOWNSHIP**

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**Financial Report  
With Supplemental Information  
Prepared in Accordance with GASB 34**

**March 31, 2008**

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## **INDEPENDENT AUDITOR'S REPORT**

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Trustees  
**Hematite Township**  
Amasa, Michigan 49903

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of **Hematite Township**, as of and for the fiscal year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

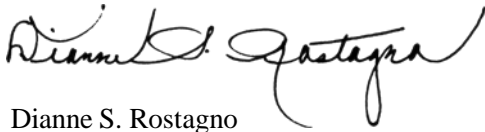
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and the standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinions, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Hematite Township** at March 31, 2008, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2008 on our consideration of **Hematite Township's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 8 through 21 and the budgetary comparison information are not required parts of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Hematite Township's** basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinions, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno", with a stylized flourish at the end.

Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

July 14, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# HEMATITE TOWNSHIP

Box 67

Unincorporated

Amasa, Michigan 49903

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The management of **Hematite Township** provides this narrative overview and analysis of the financial activities of **Hematite Township** for the fiscal year ended March 31, 2008. As readers, you are encouraged to read this discussion and analysis in conjunction with the Township's financial statement information included in this report.

## *Overview of the Financial Statements*

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## *Government-wide financial statements*

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, legislative, Township property, public safety, public works, cemetery, culture and recreation, debt service, and capital outlay.

The business-type activity of the Township is the Water Utility service.

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## ***Fund Financial Statements***

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## ***Governmental Funds***

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spend-able resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and the Hematite Township Building Authority, both of which are considered major funds. The Liquor Law Enforcement, Amasa Community Library, and the Debt Service Funds are non-major governmental funds. Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

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## ***Governmental Funds (Continued)***

The Township adopts an annual budget for its general and other governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general and other major governmental funds, and is included in the "Required Supplementary Information" section of this document.

## ***Proprietary Funds***

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water Utility Fund is presented separately in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

## ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund (an agency fund).

Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. These funds are presented separately in the fund financial statements section of the basic financial statements.

## ***Notes to the Financial Statements***

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

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## ***Supplementary Information***

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the Township's major special revenue funds as presented in the governmental fund financial statements.

A separate financial statement for the Township's non-major governmental funds is also included in the Other Supplementary Information section of this document.

## ***Government-wide Financial Analysis***

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$ 1,682,190 at March 31.

By far, the largest portion of the Township's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At March 31, 2008, the Township reported \$ 1,423,659 in net assets invested in capital assets net of related debt.

External restrictions of the Township's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$147,263 may be used to meet the Township's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at March 31 for the governmental activities and business-type activities were \$648,862 and \$1,033,328, respectively.

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## *Government-wide Financial Analysis (Continued)*

### **Summary of Net Assets**

Following is a comparative summary of the net assets at fiscal years ended March 31, 2008 and March 31, 2007:

	<b>March 31, 2008</b>		
	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	
<b><u>ASSETS</u></b>			
Current and other assets	\$ 173171	\$ 86176	\$ 259347
Capital assets, net	<u>516491</u>	<u>1191585</u>	<u>1708076</u>
<b>Total Assets</b>	<b>\$ 689662</b>	<b>\$ 1277761</b>	<b>\$ 1967423</b>
<b><u>LIABILITIES</u></b>			
Long-term liabilities	35800	240617	276417
Other liabilities	<u>5000</u>	<u>3816</u>	<u>8816</u>
<b>Total Liabilities</b>	<b>40800</b>	<b>244433</b>	<b>285233</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	475691	947968	1423659
Restricted	19320	85360	104680
Designated	6588	0	6588
Unrestricted, undesignated	<u>147263</u>	<u>0</u>	<u>147263</u>
<b>Total Net Assets</b>	<b>\$ 648862</b>	<b>\$ 1033328</b>	<b>\$ 1682190</b>

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## *Government-wide Financial Analysis (Continued)*

### Summary of Net Assets (Continued)

	March 31, 2007		
	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b><u>ASSETS</u></b>			
Current and other assets	\$ 161104	\$ 129611	\$ 290715
Capital assets, net	<u>559308</u>	<u>1171578</u>	<u>1730886</u>
<b>Total Assets</b>	<b>\$ 720412</b>	<b>\$ 1301189</b>	<b>\$ 2021601</b>
 <b><u>LIABILITIES</u></b>			
Long-term liabilities	\$ 47800	\$ 261000	\$ 308800
Other liabilities	<u>5606</u>	<u>3890</u>	<u>9496</u>
<b>Total Liabilities</b>	<b>\$ 53406</b>	<b>\$ 264890</b>	<b>\$ 318296</b>
 <b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related			
Debt	\$ 506508	\$ 907578	\$ 1414086
Restricted	20297	128721	149018
Designated	2832	0	2832
Unrestricted, undesignated	<u>137369</u>	<u>0</u>	<u>137369</u>
<b>Total Net Assets</b>	<b>\$ 667006</b>	<b>\$ 1036299</b>	<b>\$ 1703305</b>

For governmental activities, net assets decreased by \$18,144.

For business-type activities, net assets decreased by \$2,971 during the current fiscal year.

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## *Government-wide Financial Analysis (Continued)*

Following is a comparative representation of the changes in net assets for both governmental and business-type activities for the fiscal years ended March 31, 2008 and March 31, 2007:

	<b>March 31, 2008</b>		
	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	
<b><u>REVENUES</u></b>			
<b><i>Program Revenues</i></b>			
Charges for Services	\$ 12052	\$ 59789	\$ 71841
Operating grants	5351		5351
Capital grants	0	0	0
<b><i>General Revenues</i></b>			
Property taxes	77884		77884
Other taxes and fees	27286		27286
Unrestricted grants	26442		26442
Other	<u>11459</u>	<u>779</u>	<u>12238</u>
<b>Total Revenues</b>	<b>\$ 160474</b>	<b>\$ 60568</b>	<b>\$ 221042</b>
<b><u>EXPENSES</u></b>			
General government	\$ 45418	\$ 0	\$ 45418
Legislative	13257		13257
Township property	22695		22695
Public safety	15742		15742
Public works	21884		21884
Culture and recreation	14050		14050
Community Promotions	1500		1500
Interest on long-term debt	1255		1255
Depreciation	<u>42817</u>	<u>0</u>	<u>42817</u>
<b>Total Governmental Expenses</b>	<b>\$ 178618</b>	<b>\$ 0</b>	<b>\$ 178618</b>

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## *Government-wide Financial Analysis (Continued)*

	March 31, 2008		
	Primary Government		
	Governmental	Business-type	Total
<u>BUSINESS-TYPE ACTIVITIES</u>	<u>Activities</u>	<u>Activities</u>	
Water	\$ 0	\$ 63539	\$ 63539
<b>Total Business-type expenses</b>	<b>\$ 0</b>	<b>\$ 63539</b>	<b>\$ 63539</b>
 <b>TOTAL EXPENSES</b>	 <b>\$ 178618</b>	 <b>\$ 63539</b>	 <b>\$ 242157</b>
 Increase (Decrease) in net assets before transfers	 (18144)	 (2971)	 (21115)
Transfers – net	0	0	0
Increase (Decrease) in Net Assets	(18144)	(2971)	(21115)
Net Assets, beginning of year	<u>667006</u>	<u>1036299</u>	<u>1703305</u>
<b>Net Assets, end of year</b>	<b>\$ <u>648862</u></b>	<b>\$ <u>1033328</u></b>	<b>\$ <u>1682190</u></b>



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## *Government-wide Financial Analysis (Continued)*

	March 31, 2007		
	Primary Government		
	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	
<b><u>REVENUES</u></b>			
<b><i>Program Revenues</i></b>			
Charges for Services	\$ 31855	\$ 63595	\$ 95450
Operating grants	6012		6012
Capital grants	0	0	0
<b><i>General Revenues</i></b>			
Property taxes	73799		73799
Other taxes	26419		26419
Unrestricted grants	26274		26274
Other	<u>6008</u>	<u>651</u>	<u>6659</u>
<b>Total Revenue</b>	<b>\$ 170367</b>	<b>\$ 64246</b>	<b>\$ 234613</b>
<b><u>EXPENSES</u></b>			
General government	\$ 45941	\$ 0	\$ 45941
Legislative	11598		11598
Township property	50155		50155
Public safety	13754		13754
Public works	7984		7984
Culture and recreation	16234		16234
Interest on long-term debt	3470		3470
Depreciation	<u>43134</u>	<u>0</u>	<u>43134</u>
<b>Total governmental expenses</b>	<b>\$ 192270</b>	<b>\$ 0</b>	<b>\$ 192270</b>
<b><u>Business-type activities:</u></b>			
Water	\$ <u>0</u>	\$ <u>46026</u>	\$ <u>46026</u>
<b>Total business-type expenses</b>	<b>0</b>	<b>46026</b>	<b>46026</b>
<b>TOTAL EXPENSES</b>	<b>\$ 192270</b>	<b>\$ 46026</b>	<b>\$ 238296</b>

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## *Government-wide Financial Analysis (Continued)*

	March 31, 2007		
	Primary Government		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Increase (Decrease) in net assets Before transfers	\$ (21903)	\$ 18220	\$ (3683)
Transfers – net	0	0	0
Increase (Decrease) in Net Assets	(21903)	18220	(3683)
Net Assets, beginning of year	<u>688909</u>	<u>1018079</u>	<u>1706988</u>
<b>Net Assets, end of year</b>	<b>\$ 667006</b>	<b>\$ 1036299</b>	<b>\$ 1703305</b>

## *Governmental Activities*

Property taxes and other tax revenues comprise \$105,170 or approximately 66 percent of total governmental revenues.

The Township also collected \$12,052 for services provided. And, at fiscal year-end, the Township reported \$26,442 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution.

The Township expended \$178,618 on governmental programs and services. One of the largest expense categories was for General Government, where \$45,418, or 26 percent of total governmental expenditures occurred. \$22,695 was expended for Township Property, \$42,817 for depreciation, and \$15,742, or 9 percent of total expenditures, was used for public safety.

# HEMATITE TOWNSHIP

Box 67

Unincorporated

Amasa, Michigan 49903

Phone: (906) 822-7831 . Fax: (906) 822-7832

TDD: (800) 649-3777

## ***Business-type Activities***

Business-type activities decreased the Township's net assets by \$ 2,971. Operating revenues for the Water Utility activities for the year ended were \$59,789. Total expenses for the Water Utility activities for the year ended were \$63,539.

## **Financial Analysis of the Governmental Funds**

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

## ***Governmental Funds***

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. This information is useful in assessing the Township's financing requirements.

In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Township's governmental funds reported combined ending fund balances of \$173,171, of which \$ 19,320 is reserved, \$6,588 is designated for fire, and the remaining \$147,263 is available for spending at the government's discretion.

The Township's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance. However, the general fund has designated \$ 6,588 of its fund balance for the fire department.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues higher than both the original and the final budget projections. Expenditures were higher than the original budget, but lower than the final budgetary appropriations. And, at fiscal year-end, the fund balance was lower than the final budget projection, but slightly higher than the original budget projection.

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## *Governmental Funds*

### **Revenues – Budget vs Actual for the Fiscal Year Ended March 31, 2008:**

	<b>Revenues Original <u>Budget</u></b>	<b>Revenues Final <u>Budget</u></b>	<b>Revenues Final <u>Actual</u></b>	<b>Revenues Variance Actual vs Original <u>Budget</u></b>	<b>Revenues Variance Actual vs <u>Final Budget</u></b>
<b>General Fund</b>	\$ 143705	\$ 144855	\$ 155426	\$ 11721	\$ 10571

### **Expenditures – Budget vs Actual for the Fiscal Year Ended March 31, 2008:**

	<b>Expenditures Original <u>Budget</u></b>	<b>Expenditures Final <u>Budget</u></b>	<b>Expenditures Final <u>Actual</u></b>	<b>Expenditures Variance Actual And Original <u>Budget</u></b>	<b>Expenditures Variance Actual and <u>Budget</u></b>
<b>General Fund</b>	\$ 111701	\$ 135623	\$ 128450	\$ 16749	\$ (7173)

General fund financial and budgetary highlights of the fiscal year include:

- \* Property taxes, administration fees, and other taxes were lower than the original and final budgetary amounts by \$585.
- \* Intergovernmental revenue was higher than the both the original and the final amended budget.
- \* Expenditures in total for the general fund were \$128,450, which is more than the original budget of \$111,701 by \$16,749, and \$7,173 less than the final amended budget.

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## ***Proprietary Funds***

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water Fund at year-end were \$1,033,328. The change in net assets was a loss of \$2,971.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$516,491 and \$1,191,585, respectively. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$ 1,217,586, which is the largest portion of the estimated original cost of total assets. All infrastructure is accounted for in the Water Fund. There is no infrastructure attributed to the General Fund.

There were no major capital events during the current fiscal year.

### ***Long-term debt***

As of March 31, the Township had total general obligation bonded debt outstanding of \$40,800, all of which is backed by the full faith and credit of the government. This is entirely due to UDSA (Rural Development) for the fire truck.

The Township has also issued 2004 water system revenue bonds, carrying a year-end balance of \$243,617.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation is significantly higher than the Township's outstanding general obligation debt.

Currently, the bond program does not maintain underlying bond ratings.

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## **Other Economic Factors**

### ***Economic Factors***

Despite the economic uncertainties which exist with local governments, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.

The Township has promoted the new saw mill that in is located in Amasa. The mill should be up and running by the fall. This will bring in new people to the area.

There are no significant tax rate or fee changes to be implemented for 2008-2009 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor  
**Hematite Township**  
P.O. Box 67  
Amasa, Michigan 49903

## **BASIC FINANCIAL STATEMENTS**

<b>HEMATITE TOWNSHIP</b>
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**STATEMENT OF NET ASSETS**

*MARCH 31, 2008*

	Primary Government		
	Governmental Activities	Business- type Activities	Total Reporting Entity
<b><u>ASSETS</u></b>			
<b><u>Current Assets</u></b>			
Cash and Investments (Note C )	\$ 195,490	\$ 29,492	\$ 224,982
Receivables			
Taxes	10,577	-	10,577
Accounts Receivable	-	5,230	5,230
Due from External Parties	25	-	25
Internal Balances	(32,921)	32,921	-
<b>Total Current Assets</b>	173,171	67,643	240,814
<b><u>Noncurrent Assets</u></b>			
Cash, Restricted	-	18,533	18,533
Capital Assets, Net (Note H )	516,491	1,191,585	1,708,076
<b>Total Noncurrent Assets</b>	516,491	1,210,118	1,726,609
<b>TOTAL ASSETS</b>	<b>\$ 689,662</b>	<b>\$ 1,277,761</b>	<b>\$ 1,967,423</b>
<b><u>LIABILITIES</u></b>			
<b><u>Current Liabilities</u></b>			
Current Portion of Long-term debt	5,000	3,000	8,000
Deferred Revenue	-	816	816
<b>Total Current Liabilities</b>	5,000	3,816	8,816
<b><u>Long-Term Liabilities</u></b>			
Bonds Payable	35,800	240,617	276,417
<b>Total Long-term Liabilities</b>	35,800	240,617	276,417
<b>TOTAL LIABILITIES</b>	<b>\$ 40,800</b>	<b>\$ 244,433</b>	<b>\$ 285,233</b>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	475,691	947,968	1,423,659
Restricted for Debt Service	-	-	-
Restricted for Library	19,320	-	19,320
Restricted for Water Utility	-	85,360	85,360
Designated for Fire Department	6,588	-	6,588
Unrestricted and Undesignated	147,263	-	147,263
<b>TOTAL NET ASSETS</b>	<b>\$ 648,862</b>	<b>\$ 1,033,328</b>	<b>\$ 1,682,190</b>

The notes to the financial statements are integral part of this report.



# HEMATITE TOWNSHIP

## STATEMENT OF ACTIVITIES

*YEAR ENDED MARCH 31, 2008*

Functions/Programs	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants</u>
Primary Government -				
General government	\$ 45,418	\$ 3,700	\$ -	\$ -
Legislative	13,257			
Township property	22,695	380		
Public safety	15,742	7,972	908	
Public works	21,884		802	
Culture and recreation	14,050		3,641	
Community Promotions	1,500			
Interest on long-term debt	1,255			
Depreciation (Unallocated)	42,817	-	-	-
Total Governmental Activities	178,618	12,052	5,351	-
<u>Business-type Activities</u>				
Water	63,539	59,789	-	-
Total Business-type Activities				

### General Revenues:

#### Taxes:

Property taxes levied for general operations

Other taxes and fees

State Sales Tax Distribution

Sale of Property

Interest and Investment Earnings

Other

### Total General Revenues

### Change in Net Assets

**Net Assets - Beginning of year**

**Net Assets - End of year**

<b>HEMATITE TOWNSHIP</b>
--------------------------

## STATEMENT OF ACTIVITIES

*YEAR ENDED MARCH 31, 2008*

***Net (Expense) Revenue and Changes  
in Net Assets***

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (41,718)	\$ -	\$ (41,718)
(13,257)		(13,257)
(22,315)	-	(22,315)
(6,862)		(6,862)
(21,082)	-	(21,082)
(10,409)		(10,409)
(1,500)		(1,500)
(1,255)	-	(1,255)
<u>(42,817)</u>		<u>(42,817)</u>
(161,215)		(161,215)
<u>-</u>	<u>(3,750)</u>	<u>(3,750)</u>
	(3,750)	(164,965)
77,884	-	77,884
27,286		27,286
26,442	-	26,442
-		-
8,161	779	8,940
<u>3,298</u>		<u>3,298</u>
<b><u>143,071</u></b>	<b><u>779</u></b>	<b><u>143,850</u></b>
(18,144)	(2,971)	(21,115)
<b><u>667,006</u></b>	<b><u>1,036,299</u></b>	<b><u>1,703,305</u></b>
<b><u>\$ 648,862</u></b>	<b><u>\$ 1,033,328</u></b>	<b><u>\$ 1,682,190</u></b>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
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**BALANCE SHEET - GOVERNMENTAL FUNDS**

*MARCH 31, 2008*

	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and Investments (Note C )			
Unrestricted	\$ 176,170	\$ 19,320	\$ 195,490
Receivables:			
Taxes	10,577	-	10,577
Accounts Receivable	-	-	-
Due from Other Funds	25	-	25
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 186,772</u></b>	<b><u>\$ 19,320</u></b>	<b><u>\$ 206,092</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>Liabilities</u></b>			
Due to Other Funds	32,921	-	32,921
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	32,921	-	32,921
<b><u>Fund Balances</u></b>			
Reserved for Debt Service	-	-	-
Reserved for Library	-	19,320	19,320
Designated for Fire Department	6,588	-	6,588
Unreserved and undesignated	147,263	-	147,263
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Fund Balances</b>	153,851	19,320	173,171
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 186,772</u></b>	<b><u>\$ 19,320</u></b>	<b><u>\$ 206,092</u></b>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
--------------------------

**GOVERNMENTAL FUNDS**

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS**

*MARCH 31, 2008*

<b>Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>173,171</b>
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities  
are not financial resources and are not  
reported in the funds.

The cost of capital assets is:	884,131
Accumulated depreciation is:	(367,640)

Long term liabilities are not due and payable  
in the current period and are not reported  
in the funds:

Bonds Payable	(40,800)
Compensated Absences	-

Other long term assets not available to pay  
current period expenditures therefore  
deferred in the funds

-

<b>Total Net Assets - Governmental Activities</b>	<b>\$</b>	<b>648,862</b>
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The notes to the financial statements are an integral part of this report.

# HEMATITE TOWNSHIP

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	<u>General Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUE</u></b>			
General Property taxes	\$ 77,884	\$ -	\$ 77,884
Other local taxes/fees	27,286		27,286
Use of money and property	8,042	499	8,541
Charges for services	4,574		4,574
Miscellaneous	10,396		10,396
Intergovernmental	27,244	4,549	31,793
<b>TOTAL REVENUE</b>	<b>\$ 155,426</b>	<b>\$ 5,048</b>	<b>\$ 160,474</b>
<b><u>EXPENDITURES</u></b>			
Current Operating:			
General government	45,418	-	45,418
Legislative	13,257		13,257
Township property	22,695		22,695
Public safety	14,763	979	15,742
Public works	21,884		21,884
Culture and recreation	8,933	5,117	14,050
Community Promotions	1,500		1,500
Debt Service			
Principal	-	12,000	12,000
Interest and fees		1,255	1,255
Capital Outlay	-		-
<b>TOTAL EXPENDITURES</b>	<b>128,450</b>	<b>19,351</b>	<b>147,801</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>26,976</b>	<b>(14,303)</b>	<b>12,673</b>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in		13,326	<b>13,326</b>
Operating transfers (out)	(13,326)		(13,326)
<b>Total Other Financing Sources(Uses)</b>	(13,326)	13,326	-
<b>Net Change in Fund Balances</b>	<b>13,650</b>	<b>(977)</b>	<b>12,673</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>140,201</b>	<b>20,297</b>	<b>160,498</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 153,851</b>	<b>\$ 19,320</b>	<b>\$ 173,171</b>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
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**GOVERNMENTAL FUNDS****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES***YEAR ENDED MARCH 31, 2008***Net Change in Fund Balances - Total Governmental Funds** **\$ 12,673**

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures; in  
the statement of activities, these costs are allocated over their  
estimated useful lives as depreciation.

Depreciation Expense	(42,817)
Capital Outlay	<u>-</u>

Total	\$ (42,817)
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Proceeds from assets sold and reflected as revenue in the governmental funds, but removed from the net capital assets on the statement of net assets	-
---	---

Gain on sale of assets, reflected in the proceeds from assets sold in the governmental funds, but removed from net capital assets on the statement of net assets	-
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Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	-
---	---

Accrued interest is recorded in the statement of activities when  
incurred; it is not reported in governmental funds until paid

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)	12,000
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Increases Decreases in compensated absences are reported as  
expenditures when financial resources are used in the governmental  
funds in accordance with GASB Interpretation No. 6

**Change in Net Assets of Governmental Activities** **\$ (18,144)**

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
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## STATEMENT OF FUND NET ASSETS - ENTERPRISE FUND

*MARCH 31, 2008*

	<b>Water Fund</b>
<b><u>ASSETS</u></b>	
<b><i>Current Assets</i></b>	
Cash, Unrestricted	\$ 29,492
Accounts Receivable, Net	5,230
Due from External Parties	-
Internal Balances	<u>32,921</u>
<b>Total Current Assets</b>	67,643
<b><i>Non-current Assets</i></b>	
Cash, Restricted	18,533
Capital Assets:	
Construction in Progress	32,777
Equipment	9,372
Infrastructure	1,217,586
Less:	
Allowance for depreciation	<u>(68,150)</u>
Total Capital Assets, net	1,191,585
<b>Total Non-current Assets</b>	1,210,118
<b>TOTAL ASSETS</b>	<b>\$ 1,277,761</b>
<b><u>LIABILITIES</u></b>	
<b><i>Current Liabilities</i></b>	
Accounts payable	-
Deferred revenues	816
Current portion of long-term debt	<u>3,000</u>
<b>Total Current Liabilities</b>	3,816
<b><i>Long-Term Liabilities</i></b>	
Long-Term Debt	<u>240,617</u>
<b>Total Long-Term Liabilities</b>	240,617
<b>TOTAL LIABILITIES</b>	<b>244,433</b>
<b><u>NET ASSETS</u></b>	
Invested in Capital Assets, Net of Related Debt	947,968
Reserved	85,360
Unreserved, undesignated	<u>-</u>
<b>TOTAL NET ASSETS</b>	<b>\$ 1,033,328</b>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
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**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - ENTERPRISE FUND**

*YEAR ENDED MARCH 31, 2008*

	<u>Water Fund</u>
<b><u>OPERATING REVENUES</u></b>	
Charges for Services	\$ 56,789
Hydrant Rental	<u>3,000</u>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 59,789</b>
 <b><u>OPERATING EXPENSES</u></b>	
Personal Services and Benefits	4,163
Contractual Services	826
Water Purchase	18,192
Repairs and Maintenance	368
Other Supplies and Expenses	8,980
Depreciation	<u>19,428</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 51,957</b>
 <b>Operating Income (Loss)</b>	 <b>7,832</b>
 <b><u>Non-Operating Revenues</u></b>	
Interest Revenue	<u>779</u>
 <b>Total Non-Operating Revenues</b>	 <b>779</b>
 <b><u>Non-Operating Expenses</u></b>	
Interest Expense	<u>(11,582)</u>
 <b>Total Non-Operating Expenses</b>	 <b>(11,582)</b>
 <b>Change in Net Assets</b>	 <b>(2,971)</b>
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 <b><u>1,036,299</u></b>
 <b>NET ASSETS - END OF YEAR</b>	 <b><u><u>\$ 1,033,328</u></u></b>

The notes to the financial statements are an integral part of this report.



<b>HEMATITE TOWNSHIP</b>
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## STATEMENT OF CASH FLOWS - ENTERPRISE FUND

*FISCAL YEAR ENDED MARCH 31, 2008*

### CASH FLOWS FROM (USED BY)

#### OPERATING ACTIVITIES

Net cash received from fees and services	\$ 58,644
Other operating revenues	3,000
Cash payments to employees for services	(4,163)
Cash payments to goods and services	(28,366)
Other operating expenses	-
	-

<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 29,115</b>
---	------------------

#### NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	-
(Increase) decrease in due from other funds	17,213
Net operating transfers in (out)	-
	-

<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>17,213</b>
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#### CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(39,435)
Principal payment on long-term bonds	(20,383)
Interest paid on long-term bonds	(11,582)
Cost of Issuance - Bonds	-
Interest and tax expense	-
Proceeds from borrowings	-
Contributed capital grants	-
	-

<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ (71,400)</b>
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#### INVESTING ACTIVITIES

Interest Income	779
	779

<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>\$ 779</b>
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,293)
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Cash and Cash Equivalents, Beginning of Year	72,318
	72,318

<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 48,025</b>
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The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
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**STATEMENT OF CASH FLOWS - ENTERPRISE FUND  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**CASH FLOWS FROM OPERATING  
ACTIVITIES**

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Operating Income	\$ 7,832
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	19,428
. Provision for uncollectible accounts	-
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	1,929
Increase (Decrease) in accounts payable	-
Increase (Decrease) in deferred revenue	(74)
Increase (Decrease) in customer deposits	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b><u>\$ 29,115</u></b>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
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**FIDUCIARY FUND****STATEMENT OF FIDUCIARY NET ASSETS***MARCH 31, 2008*

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	<u>\$ 65,077</u>
<b>TOTAL ASSETS</b>	<b>\$ 65,077</b>
<b><u>LIABILITIES</u></b>	
Due to Other Funds	25
Due to Other Governmental Units	<u>65,052</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 65,077</b>
<b><u>NET ASSETS</u></b>	
Unrestricted	<u>-</u>
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this report.

## **NOTES TO THE FINANCIAL STATEMENTS**

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by **Hematite Township**, Amasa, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

**THE FINANCIAL REPORTING ENTITY**

The Township was organized in 1891 and covers an area of 99000 acres. The Township operates under an elected board of commissioners (5 people) and provides services to its approximately 352 residents in many areas including law enforcement, general administration and water services. In accordance with the provisions of GASB 14, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

On this basis, there are no other governmental organizations whose financial statements are required to be included in the financial statements of the Township.

**BLENDED COMPONENT UNITS**

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BLENDED COMPONENT UNITS (Continued)**

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

There are no blended component units to be reported.

**JOINT VENTURES**

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**JOINTLY GOVERNED ORGANIZATIONS**

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported.

**RELATED ORGANIZATIONS**

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to be reported.



<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION**

The Township follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

***Management's Discussion and Analysis***

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to the analysis the private sector provides in their annual reports.

***Government-wide financial statements***

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt).

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

***Government-wide financial statements  
(Continued)***

Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

***Statement of Net Assets***

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

***Statement of Net Assets (Continued)***

The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

***Statement of Program Activities***

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

***Budgetary comparison schedules***

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

***Budgetary comparison schedules (Continued)***

Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements. The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds (by category).

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

The following criteria is applied for major fund qualification:

Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for a fund type.

Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and enterprise funds combined.

Assets, or any other element taken one at a time would have to pass both the 10% test and the 5% test for the fund to be considered a major fund.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

Both governmental-wide and fund financial statement presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

The Township does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Township are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.



<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency).

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The following is a brief description of the specific funds used by the Township.

**GOVERNMENTAL FUNDS**

These funds are those through which most governmental functions typically are financed.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENTAL FUNDS (Continued)**

The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds. These funds are as follows:

***General Fund***

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENTAL FUNDS (Continued)**

***General Fund (Continued)***

For reporting purposes, the General Fund is always considered to be a major fund.

***Special Revenue Funds***

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The Township's *Liquor Law Enforcement* and the *Amasa Community Library Fund* are *Special Revenue Funds*. Both *Special Revenue Funds* are considered non-major funds for reporting purposes.

***Debt Service Fund***

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The Debt Service fund is a non-major fund for reporting purposes.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2007*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**PROPRIETARY FUNDS**

***Enterprise Funds***

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

The Township's *Water Fund* is a *Proprietary Fund*.

**FIDUCIARY FUNDS**

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2007*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**FIDUCIARY FUNDS (Continued)**

The Township's *Current Tax Collection Fund* (Agency Fund) is a *Fiduciary Fund*. Agency funds are custodial in nature and do not involve measurement of results of operations.

Accounting for Expendable Trust funds parallels accounting for governmental funds (modified accrual basis/approximate flow of current financial resources). Pension Trust Funds and Nonexpendable Trust Funds are accounted for in a manner similar to proprietary funds (accrual basis/flow of economic resources).

**MEASUREMENT FOCUS**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus.

With this measurement focus, only current liabilities generally are included on the balance sheet in the fund statements.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net assets and statement of activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, and financial statements of the Proprietary Fund and the Fiduciary Fund are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, and Debt Service funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus.



<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**CASH AND CASH EQUIVALENTS**

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

**INVENTORIES**

Inventories of supplies are expended as received.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**RECEIVABLES**

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

**INTEREST RECEIVABLE**

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

**DUE TO/FROM OTHER FUNDS**

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as inter-fund accounts receivable and payable in the financial statements.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**DUE TO/FROM OTHER FUNDS (Continued)**

These inter-fund receivables and payables do not represent Board-approved loans between funds.

**DEFERRED REVENUE**

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

**FUND EQUITY**

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**FUND EQUITY (Continued)**

Designated fund balances represent amounts earmarked by the Township for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Township for future expenditures.

**BUDGETS AND BUDGETARY ACCOUNTING**

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**BUDGETS AND BUDGETARY ACCOUNTING  
(Continued)**

Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 01. The operating budget includes proposed expenditures and the means of financing them.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**BUDGETS AND BUDGETARY ACCOUNTING  
(Continued)**

2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 01, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.



<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**PROPERTY TAX**

Property taxes are levied on December 31 and payable in two installments, July 01 and December 01. Property taxes are declared delinquent the following March 01, when they become a lien. The Township bills and collects its own property taxes and also collects taxes for the school district, county, and library.

Collections for the schools, county, and library are accounted for in the Trust and Agency Fund. Township property tax revenues are recognized when levied to the extent they are receivable. The County of Iron purchases from the Township the delinquent real property taxes outstanding as of March 01 of each year.

The 2007 taxable valuation of the Township totaled \$13,443,221, on which ad valorem taxes levied consisted of 5.7939 mills for general operating purposes.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**NON-MONETARY TRANSACTIONS**

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

**CAPITAL ASSETS**

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds (when applicable) and as assets in the governmental-wide statements to the extent the Township's capitalization threshold of \$1,000 is met.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**CAPITAL ASSETS (Continued)**

Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

**Buildings..... 20 - 30 years**

**Infrastructure..... 10 - 65 years**

**Furniture and Other**

**Equipment..... 5 - 20 years**

To the extent the Township's capitalization threshold of \$1,000 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**CAPITAL ASSETS (Continued)**

**Land Improvements..... 20 years**

**Equipment..... 5 - 20 years**

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, is eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**COMPENSATED ABSENCES**

The Township has no employees eligible to accrue vacation or sick leave benefits.

**POST-EMPLOYMENT BENEFITS**

The Township offers no post-employment benefits.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE B – INTER-FUND ACTIVITIES (CONTINUED)**

**INTER-FUND RECEIVABLES AND PAYABLES**

Inter-fund receivables and payables do not represent inter-fund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

The amounts of the inter-fund receivables and payables as of March 31, 2008 were as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
General	\$ 25	\$ 32921
Trust and Agency	-0-	25
Water Fund	<u>32921</u>	<u>-0-</u>
<b>Totals</b>	<b>\$ <u>32946</u></b>	<b>\$ <u>32946</u></b>

<u>Summary by Fund Classification</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
Major Funds – Governmental	\$ 25	\$ 32921
Enterprise Funds	32921	-0-
Agency Funds	<u>-0-</u>	<u>25</u>
<b>Totals</b>	<b>\$ <u>32946</u></b>	<b>\$ <u>32946</u></b>

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE B - INTERFUND ACTIVITIES (CONTINUED)**

**INTER-FUND RECEIVABLES AND PAYABLES**  
**(Continued)**

At March 31, 2008 the Trust and Agency (Tax Collection) Fund held monies collected for the General Fund.

The General Fund owed the Water Fund monies resulting from a transfer for the Township contribution relating to the Water System Improvement Project.

**OPERATING TRANSFERS**

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the current fiscal year ended March 31, 2008, the Township authorized the following transfers:

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE B - INTERFUND ACTIVITIES (CONTINUED)**

**OPERATING TRANSFERS (Continued)**

	<b><u>Transfers In</u></b>	<b><u>Transfers Out</u></b>
General Fund	\$ 0	\$ 13326
Liquor Law Enforcement Fund	71	0
Amasa Community Library Fund	0	0
Debt Service Fund	<u>13255</u>	<u>0</u>
<b>Total Operating Transfers</b>	<b>\$ 13326</b>	<b>\$ 13326</b>

<b><u>Summary by Fund Classification</u></b>	<b><u>Transfers In</u></b>	<b><u>Transfers Out</u></b>
Major Funds - Governmental	\$ 0	\$ 13326
Non-Major Funds - Governmental	<u>13326</u>	<u>0</u>
<b>Total Operating Transfers</b>	<b>\$ 13326</b>	<b>\$ 13326</b>

The General Fund transferred funds to support the operation of other funds for the benefit of all Township residents.



<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE B - INTERFUND ACTIVITIES (CONTINUED)**

**OTHER FINANCING SOURCES (USES)**

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS**

**2004 WATER REVENUE BOND**

The bonding ordinance for **Hematite Township** 2004 Water Revenue Bond requires certain cash balances be reserved, as follows:

**BOND AND INTEREST REDEMPTION FUND**

Each quarter of the fiscal year, revenues must be transferred to the Bond and Interest Redemption Fund before any other expenditures or transfers. Sufficient amounts must be set aside to pay for the principal and interest payments on the bonds.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**BOND AND INTEREST REDEMPTION FUND**  
**(Continued)**

On March 31, 2008, the Township was required to have a balance of \$ 5,411. The actual balance was \$ 7,323.

The Township was in compliance with this requirement.

**RESERVE ACCOUNT**

Beginning September 01, 2004, there shall be withdrawn from the Receiving Fund at the beginning of each fiscal year quarter and set aside in and transferred to the Bond Reserve Account, after provision has been made for the Operation and Maintenance Account and the current requirements of the Bond and Interest Redemption Account, the sum of at least \$412.50 per quarter (\$ 1,650 annually) until there is accumulated in such fund the sum of \$ 16,500.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**RESERVE ACCOUNT (Continued)**

The monies in the Bond Reserve Account shall be used solely for the payment of the principal installments of and interest on the Bond as to which there would otherwise be default.

The required balance on March 31, 2008 was \$ 5,775. The actual balance was \$ 6,188.

The Township was in compliance with this requirement.

**REPAIR, REPLACEMENT, AND IMPROVEMENT  
ACCOUNT**

The bonding ordinance requires the establishment of a Repair, Replacement, and Improvement Fund to be used for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the system, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the system, (c) acquiring and constructing extensions and improvement to the system, and (d) when necessary, for the purpose of making payments of principal and interest on the Bond.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**REPAIR, REPLACEMENT, AND IMPROVEMENT  
ACCOUNT**

**(Continued)**

If the amount in the Bond and Interest Redemption Account and the Bond Reserve Account is not sufficient to pay the principal of and interest on the bond when due, the monies in the RRI Account shall be transferred to the Bond and Interest Redemption Account and used for that purpose.

Beginning September 01, 2004, revenues shall be transferred each quarter of the fiscal year from the Receiving Fund and deposited in the RRI Account in an amount not less than \$745.75, less the amount, if any, deposited in the Bond Reserve Account at the beginning of the same fiscal year quarter that is specified for the Bond.

The required balance of this account on March 31, 2008 was \$4,666. The actual balance was \$5,023.

As of March 31, 2008, the Township was in compliance with the above funding requirements.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**PRIMARY GOVERNMENT**

On March 31, 2008, the carrying value of the Township's deposits (Primary Government) was \$ 308,592 and is comprised of cash and deposits reflected in the following funds:

<b><i>Governmental Funds</i></b>	
General Fund	\$ 176170
Amasa Community Library	19320
Debt Service	0
Building Authority	<u>0</u>
<b><i>Total Governmental Funds</i></b>	<b>195490</b>
<b><i>Enterprise Funds</i></b>	
Water Fund	<u>48025</u>
<b><i>Total Enterprise Funds</i></b>	<b>48025</b>
<b><i>Fiduciary Funds</i></b>	
Tax Collection Fund	<u>65077</u>
<b><i>Total Fiduciary Funds</i></b>	<b>65077</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 308592</b>

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

**Category 1**

Deposits which are insured or collateralized with securities held by the Township or its agent in the Township's name.

**Category 2**

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**Category 3**

Deposits which are not collateralized or insured.

Based on these levels of risk, the Township's cash deposits  
(Primary Government) are classified as follows:

**SCHEDULE OF CASH AND DEPOSITS**

**PRIMARY GOVERNMENT**

	<b><u>Category 1</u></b>	<b><u>Category 2</u></b>	<b><u>Category 3</u></b>	<b><u>Totals</u></b>
Cash and Deposits	\$ 244666	\$ -0-	\$ 63926	\$ 308592

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**INVESTMENTS**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Custodial risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

The Township's investments are categorized below to give an indication of the level of risk assumed at year-end. **Category 1** includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. **Category 2** includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Township's name. **Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Township's name.



<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**INVESTMENTS (Continued)**

There are no investments for the Township, as reflected below:

<b>Investment Type</b>	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>	<b>Carrying Value</b>	<b>Market Value</b>
	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<b>Total Investments</b>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

**STATUTORY AUTHORITY**

Act 196, PA 1997, authorizes the Township to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STATUTORY AUTHORITY (Continued)**

2. Certificates of deposit, savings accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STATUTORY AUTHORITY (Continued)**

5. Bankers acceptance of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The Township has adopted an investment policy, allowing for all types of deposits and investments listed above. The Township's deposits and investments are in compliance with it's investment policy.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE D - PENSION PLAN**

The Township maintains a fully funded pension plan for its full-time employees and trustees through Met Life. The contribution for the year ended March 31, 2008 was \$ 5,746 of which \$ 3,547 was contributed through payroll withholding. The plan is fully funded by annuity contracts. On the most recent statement prepared, as of March 2008, the value of account balances was \$ 59,879.

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

**BUDGET VIOLATIONS**

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

The Township's actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS  
(CONTINUED)**

**BUDGET VIOLATIONS (Continued)**

The approved budgets of **Hematite Township** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the fund financial statements.

The total actual 2007-2008 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 6,944 contrary to the provisions of section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

<b><u>ACTIVITY (COST CENTER)</u></b>	<b><u>ACTUAL</u></b>	<b><u>BUDGET</u></b>	<b><u>VARIANCE</u></b>
<b><u>General Fund</u></b>			
Public Safety	\$ 14763	\$ 13400	\$ (1363)
Transfer to Liquor Law Enforcement Fund	71	-0-	(71)
Transfer to Debt Service Fund	13255	7745	(5510)

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE F - ACCUMULATED FUND DEFICITS**

At March 31, 2008, the Township had no fund balance/retained earnings deficit in any fund.

**NOTE G - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

**NOTE H - CAPITAL ASSETS**

The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2008:

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

	Balance March 31, 2007	Increases	Decreases	Balance March 31, 2008
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
<b>Capital Assets Not Being Depreciated</b>	\$	\$	\$	\$
Land and Land Improvements	<u>4132</u>	<u>-0-</u>	<u>-0-</u>	<u>4132</u>
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 4132</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 4132</b>
<b><u>Other Capital Assets</u></b>				
Land Improvements	10075	-0-	-0-	10075
Buildings	406278	-0-	-0-	406278
Furniture and Other Equipment	<u>463646</u>	<u>-0-</u>	<u>-0-</u>	<u>463646</u>
<b>Total Other Capital Assets</b>	<b>879999</b>	<b>-0-</b>	<b>-0-</b>	<b>879999</b>
<b><u>Less Accumulated Depreciation for:</u></b>				
Land Improvements	(1288)	(504)	-0-	(1792)
Buildings	(73916)	(8125)	-0-	(82041)
Furniture and Other Equipment	<u>(249619)</u>	<u>(34188)</u>	<u>-0-</u>	<u>(283807)</u>
<b>Total Accumulated Depreciation</b>	<b>(324823)</b>	<b>(42817)</b>	<b>-0-</b>	<b>(367640)</b>
Other Capital Assets, Net	555176	(42817)	-0-	512359
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>559308</u></b>	<b>\$ <u>(42817)</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>516491</u></b>

Depreciation was charged to governmental functions as unallocated.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

**BUSINESS-TYPE ACTIVITIES**

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended March 31, 2008:

	<u>Balance March 31, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance March 31, 2008</u>
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>				
<b><u>Capital Assets Not Being Depreciated:</u></b>				
Land	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Construction in Progress	-0-	32777	-0-	32777
<b><u>Other Capital Assets:</u></b>				
Machinery and Equipment	2715	6657	-0-	9372
Water Mains/Lines	<u>1217586</u>	<u>-0-</u>	<u>-0-</u>	<u>1217586</u>
<b>Total Capital Assets</b>	<b>\$ 1220301</b>	<b>\$ 39434</b>	<b>\$ -0-</b>	<b>\$ 1259735</b>

(Continued on page 88)



<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

**BUSINESS-TYPE ACTIVITIES (Continued)**

(Continued from previous page)

	Balance March 31, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance March 31, <u>2008</u>
<b><u>Less Accumulated Depreciation for:</u></b>				
Machinery and Equipment	\$ (1546)	\$ (625)	\$ -0-	\$ (2171)
Water Mains/Lines	<u>(47176)</u>	<u>(18803)</u>	<u>-0-</u>	<u>(65979)</u>
<b>Total Accumulated Depreciation</b>	<u>(48722)</u>	<u>(19428)</u>	<u>-0-</u>	<u>(68150)</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	\$ <u><u>1171579</u></u>	\$ <u><u>20006</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>1191585</u></u>

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE I - LONG-TERM DEBT**

	<b>March 31, 2007</b>	<b>Increases</b>	<b>Decreases</b>	<b>March 31, 2008</b>
USDA Rural Development Notes Payable	\$ 52800	\$ -0-	\$ 12000	\$ 40800
2004 Water System Revenue Bonds	<u>264000</u>	<u>-0-</u>	<u>20383</u>	<u>243617</u>
<b>Total</b>	<b>\$ <u>316800</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>32383</u></b>	<b>\$ <u>284417</u></b>

**USDA/RURAL DEVELOPMENT**

On April 17, 2002, the Township was awarded a loan/grant from the United States Department of Agriculture/Rural Development for the purpose of purchasing and equipping a fire truck.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**USDA/RURAL DEVELOPMENT (Continued)**

The Township received a grant in the amount of \$40,000, a loan in the amount of \$77,800, with Township matching funds of \$50,000, for the total project cost of \$167,800.

The note bears interest at the rate of 4.75%, and is payable on April 01 and October 01 of each year. Principal payments are due on April 01 in the amount of \$ 5,000 from 2003 through 2014; in the amount of \$ 6,000 on April 01, 2015 and 2016, and on April 01, 2017 in the amount of \$ 6,800, when the note matures.

**2004 WATER REVENUE BONDS PAYABLE**

On June 08, 2004 the Township approved the issuance of Water Supply Revenue Bonds in the amount of \$ 295,000 for the purposes of acquisition, construction, furnishing and equipping of improvements and extensions to the existing Water Supply System.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**2004 WATER REVENUE BONDS PAYABLE (Continued)**

Water Supply System Bonds mature annually on July 01 of each year through July 01, 2044. Interest is payable semi-annually on January 01 and July 01 of each year at a rate of 4.50% per annum.

Scheduled payments of principal and interest are as follows:

	<u>July 01</u>		<u>January 01</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 3000.00	\$ 5966.73	\$ -0-	\$ 8966.73
2009	3000.00	6031.96	5899.23	14931.19
2010	3000.00	6098.66	5964.46	15063.12
2011	4000.00	6166.86	6031.16	16198.02
2012	4000.00	6213.59	6076.86	16290.45

(Continued on page 92)

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**2004 WATER REVENUE BONDS PAYABLE (Continued)**

(Continued from previous page)

	<u>July 01</u>		<u>January 01</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2013-2017	\$ 21000.00	\$ 31806.53	\$ 31106.63	\$ 83913.16
2018-2022	27000.00	32764.33	32043.35	91807.68
2023-2027	33000.00	33089.33	32361.21	98450.54
2028-2032	42000.00	32406.40	31871.29	106277.69
2033-2037	51000.00	30994.25	30312.23	112306.48
2038-2042	<u>52617.00</u>	<u>27892.68</u>	<u>27278.90</u>	<u>107788.58</u>
<b>Totals</b>	<b>\$ 243617.00</b>	<b>\$ 219431.32</b>	<b>\$ 208945.32</b>	<b>\$ 671993.64</b>

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE J - SEGMENT INFORMATION - Enterprise Funds**

	<b><u>Water Fund</u></b>
Operating Revenues	\$ 59789
Depreciation and Amortization Expense	19428
Operating Income or (Loss)	7832
Operating Grants, Entitlements, and Shared Revenues	0
Operating Transfers:	
In	0
(Out)	0
Tax Revenues	0
Net Income or (Loss)	(2971)
Current Capital:	
Contributions	0
Transfers	0
Property, Plant, and Equipment	
Additions	39434
Deletions	0

(Continued on page 94)

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE J - SEGMENT INFORMATION - Enterprise Funds (CONTINUED)**

(Continued from previous page)

	<b><u>Water Fund</u></b>
Net Working Capital	\$ 63827
Total Assets	1277761
Bonds and Other Long-Term Liabilities	
Payable from Operating Revenues	244433
Payable from Other Sources	0
Total Equity	1033328

**NOTE K - RELATED PARTY TRANSACTIONS**

*Related parties* exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE K - RELATED PARTY TRANSACTIONS (CONTINUED)**

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there were no related party transactions reported in the financial statements.

**NOTE L - SUBSEQUENT EVENTS**

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.



<b>HEMATITE TOWNSHIP</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**NOTE L - SUBSEQUENT EVENTS (CONTINUED)**

They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended March 31, 2008, there were no subsequent events that would have a significant affect on the Township's operations.

**NOTE M - COMMITMENTS AND CONTINGENCIES**

There are no commitments and contingencies to be reported for the Township for the fiscal year ended March 31, 2008.

## **REQUIRED SUPPLEMENTAL INFORMATION**

<b>HEMATITE TOWNSHIP</b>
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**REQUIRED SUPPLEMENTAL INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

*YEAR ENDED MARCH 31, 2008*

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
<b><u>REVENUES</u></b>			
General Property Taxes	\$ 86,000	\$ 86,000	\$ 77,884
Other Local Taxes and Fees	19,755	19,755	27,286
Fire Protection Agreement	750	750	874
Use of Money and Property	4,800	4,950	8,042
Cemetery Revenue	5,600	5,600	3,700
Miscellaneous	-	1,000	10,396
Intergovernmental	<u>26,800</u>	<u>26,800</u>	<u>27,244</u>
<b>TOTAL REVENUES</b>	<b>\$ 143,705</b>	<b>\$ 144,855</b>	<b>\$ 155,426</b>
<b><u>EXPENDITURES</u></b>			
Legislative	22,089	14,439	13,257
General Government	44,886	47,536	45,418
Township Property	10,854	24,054	22,695
Public Works	7,750	23,522	21,884
Public Safety	13,500	13,400	14,763
Recreation and Cultural	10,622	10,672	8,933
Community Promotions	1,500	1,500	1,500
Capital Outlay	<u>500</u>	<u>500</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 111,701</b>	<b>\$ 135,623</b>	<b>\$ 128,450</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	32,004	9,232	26,976
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers In	-	25,589	-
Operating Transfers (Out)	<u>(19,745)</u>	<u>(7,745)</u>	<u>(13,326)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(19,745)	17,844	(13,326)
NET CHANGE IN FUND BALANCE	12,259	27,076	13,650
FUND BALANCE, APRIL 1	<u>140,201</u>	<u>140,201</u>	<u>140,201</u>
<b>FUND BALANCE, MARCH 31</b>	<b><u>\$ 152,460</u></b>	<b><u>\$ 167,277</u></b>	<b><u>\$ 153,851</u></b>

The notes to the financial statements are an integral part of this report.

## **OTHER SUPPLEMENTAL INFORMATION**

<b>HEMATITE TOWNSHIP</b>
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**OTHER SUPPLEMENTAL INFORMATION****COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS***MARCH 31, 2008*

	<u>Liquor Law Enforcement Fund</u>	<u>Amasa Community Library</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and Investments (Note C )	\$ -	\$ 19,320	\$ -	\$ 19,320
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 19,320</b>	<b>\$ -</b>	<b>\$ 19,320</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>FUND BALANCES</u></b>				
Reserved for Library	-	19,320	-	19,320
Reserved for Debt Service			-	-
Reserved for Liquor Law Enforcement	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 19,320</b>	<b>\$ -</b>	<b>\$ 19,320</b>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
--------------------------

**OTHER SUPPLEMENTAL INFORMATION**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**

*YEAR ENDED MARCH 31, 2008*

	<u>Liquor Law Enforcement Fund</u>	<u>Amasa Community Library</u>	<u>Debt Service Fund</u>	<u>Totals</u>
<b><u>REVENUE</u></b>				
Use of money and property	\$ -	\$ 499	\$ -	\$ 499
Charges for services	-	-	-	-
Intergovernmental	908	3,641	-	4,549
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUE</b>	\$ 908	\$ 4,140	\$ -	\$ 5,048
<b><u>EXPENDITURES</u></b>				
Current:				
Public safety	\$ 979	\$ -	\$ -	\$ 979
Culture and recreation		5,117		5,117
Debt Service				
Principal	-	-	12,000	12,000
Interest and Fees	-	-	1,255	1,255
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	\$ 979	\$ 5,117	\$ 13,255	\$ 19,351
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(71)	(977)	(13,255)	(14,303)
<b><u>Other Financing Sources (Uses)</u></b>				
Operating transfers in	71	-	13,255	13,326
Operating transfers out	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
Total Other Financing Sources (Uses)	71	-	13,255	13,326
<b>Net Change in Fund Balances</b>	-	(977)	-	(977)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<hr/>	<hr/>	<hr/>	<hr/>
	-	20,297	-	20,297
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ 19,320</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,320</u></u>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
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**COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS***MARCH 31, 2008*

	<b>LIQUOR LAW ENFORCEMENT FUND</b>	<b>AMASA COMMUNITY LIBRARY</b>	<b>TOTALS</b>
<b><u>ASSETS</u></b>			
Cash	\$ -	\$ 19,320	\$ 19,320
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 19,320</b>	<b>\$ 19,320</b>
<b><u>FUND EQUITY</u></b>			
Fund Balance	-	19,320	19,320
<b>TOTAL FUND EQUITY</b>	<b>\$ -</b>	<b>\$ 19,320</b>	<b>\$ 19,320</b>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
EQUITY - ALL SPECIAL REVENUE FUND TYPES**

*FISCAL YEAR ENDED MARCH 31, 2008*

	<b>LIQUOR LAW ENFORCEMENT FUND</b>	<b>AMASA COMMUNITY LIBRARY</b>	<b>TOTALS</b>
<b><u>REVENUES</u></b>			
<b><u>Local Sources</u></b>			
Charges for Services	\$ -	\$ -	\$ -
Sale of Lots	-	-	-
<b>Total Other Sources</b>	-	-	-
<b><u>State Sources</u></b>			
State Grants	908	-	908
Penal Fines	-	3,641	3,641
<b>Total State Sources</b>	<b>908</b>	<b>3,641</b>	<b>4,549</b>
<b><u>Other Sources</u></b>			
Interest Income	-	499	499
<b>Total Other Sources</b>	-	<b>499</b>	<b>499</b>
<b>TOTAL REVENUES</b>	<b>\$ 908</b>	<b>\$ 4,140</b>	<b>\$ 5,048</b>
<b><u>EXPENDITURES</u></b>			
Public Safety	979	-	979
Library	-	5,117	5,117
<b>TOTAL EXPENDITURES</b>	<b>\$ 979</b>	<b>\$ 5,117</b>	<b>\$ 6,096</b>
Excess of Revenues Over (Under) Expenditures	(71)	(977)	(1,048)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers In (Out)	71	-	71
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(977)	(977)
<b>FUND BALANCE, APRIL 1</b>	-	20,297	20,297
<b>FUND BALANCE, MARCH 31</b>	<b>\$ -</b>	<b>\$ 19,320</b>	<b>\$ 19,320</b>

The notes to the financial statements are an integral part of this report.



<b>HEMATITE TOWNSHIP</b>
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**BALANCE SHEET - GENERAL FUND***MARCH 31, 2008***ASSETS**

Cash and Deposits	\$ 176,170
Receivables:	
Taxes	10,577
Accounts	-
Due From Other Funds	<u>25</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 186,772</u></b>

**LIABILITIES AND FUND EQUITY****LIABILITIES**

Accounts Payable	-
Due To Other Funds	<u>32,921</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 32,921</b>

**FUND EQUITY**

Fund Balance, Designated for Fire Department	6,588
Fund Balance , Unreserved and Undesignated	<u>147,263</u>
<b>TOTAL FUND EQUITY</b>	<b>153,851</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 186,772</u></b>

The notes to the financial statements are an integral part of this report.

# HEMATITE TOWNSHIP

## STATEMENT OF REVENUES - GENERAL FUND ACTUAL AND BUDGET

*FISCAL YEAR ENDED MARCH 31, 2008*

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>TAXES</u></b>			
Current Tax Levy	\$ 77,884	\$ 86,000	\$ (8,116)
Commercial Forest/Swamp Tax	24,726	17,200	7,526
Adminitstration Fees	2,560	2,555	5
<b>TOTAL TAXES</b>	<b>\$ 105,170</b>	<b>\$ 105,755</b>	<b>\$ (585)</b>
<b><u>STATE-SHARED RECEIPTS</u></b>			
Sales Tax	26,442	26,000	442
Metro Act	802	800	2
<b>TOTAL STATE-SHARED RECEIPTS</b>	<b>\$ 27,244</b>	<b>\$ 26,800</b>	<b>\$ 444</b>
<b><u>CHARGES FOR SERVICES</u></b>			
Cemetery	3,700	5,600	(1,900)
Fire Services	874	750	124
<b>TOTAL CHARGES FOR SERVICES</b>	<b>\$ 4,574</b>	<b>\$ 6,350</b>	<b>\$ (1,776)</b>
<b><u>INTEREST AND RENTAL</u></b>			
Interest	7,662	4,600	3,062
Hall Rental	380	350	30
<b>TOTAL INTEREST AND RENTAL</b>	<b>\$ 8,042</b>	<b>\$ 4,950</b>	<b>\$ 3,092</b>
<b><u>OTHER REVENUE</u></b>			
Donations	7,098	-	7,098
Miscellaneous	3,298	1,000	2,298
<b>TOTAL OTHER REVENUE</b>	<b>10,396</b>	<b>1,000</b>	<b>9,396</b>
<b>TOTAL REVENUES</b>	<b>\$ 155,426</b>	<b>\$ 144,855</b>	<b>\$ 10,571</b>
<b><u>OTHER FINANCING SOURCES</u></b>			
Operating Transfer In	-	25,589	(25,589)
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 155,426</b>	<b>\$ 170,444</b>	<b>\$ (15,018)</b>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
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**STATEMENT OF EXPENDITURES - GENERAL FUND**  
**ACTUAL AND BUDGET**

*FISCAL YEAR ENDED MARCH 31, 2008*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>LEGISLATIVE</u></b>			
<b><u>Township Board</u></b>			
Salaries	\$ 2,160	\$ -	\$ -
Fringe Benefits	446		
Legal Services	3,093	-	-
Accounting and Audit	5,430		
Supplies	10		
Printing/Publishing	199	-	-
Membership Dues/Education	355		
Miscellaneous	1,564		
	<hr/>	<hr/>	<hr/>
<b>TOTAL LEGISLATIVE</b>	<b>\$ 13,257</b>	<b>\$ 14,439</b>	<b>\$ 1,182</b>
<b><u>GENERAL GOVERNMENT</u></b>			
<b><u>Supervisor</u></b>			
Salaries	\$ 12,000	\$ -	\$ -
Fringe Benefits	1,518		
Supplies	41		
Mileage	45	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Supervisor</b>	13,604	14,017	413
<b><u>Assessment</u></b>			
Tax Roll Preparation	2,153	-	-
Supplies	225		
Mileage	199	-	-
Training/Education	115		
	<hr/>	<hr/>	<hr/>
<b>Total Assessment</b>	2,692	3,015	323
<b><u>Clerk</u></b>			
Salaries	\$ 9,127	\$ -	\$ -
Fringe Benefits	1,298		
Office Supplies	2,690	-	-
Training	95		
Mileage	552	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Clerk</b>	<b>\$ 13,762</b>	<b>\$ 14,345</b>	<b>\$ 583</b>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
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**STATEMENT OF EXPENDITURES - GENERAL FUND  
ACTUAL AND BUDGET  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>FAVORABLE (UNFAVORABLE)</u>
<b><u>GENERAL GOVERNMENT (Continued)</u></b>			
<b><u>Treasurer</u></b>			
Salaries	\$ 8,700	\$ -	\$ -
Fringe Benefits	1,266		
Office Supplies	563	-	-
Mileage	682	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Treasurer</b>	\$ 11,211	\$ 11,559	\$ 348
<b><u>Elections</u></b>			
Contracted Services	\$ 761	\$ -	\$ -
Printing/Publishing	671		
Supplies	703		
	<hr/>	<hr/>	<hr/>
<b>Total Elections</b>	\$ 2,135	\$ 2,250	\$ 115
<b><u>Board of Review</u></b>			
Contract Services	560	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Board of Review</b>	\$ 560	\$ 600	\$ 40
<b><u>Cemetery</u></b>			
Salaries	\$ 1,096	\$ -	\$ -
Fringe Benefits	84		
Printing/Publishing	22	-	-
Gasoline and Oil	222		
Mileage	30		
	<hr/>	<hr/>	<hr/>
<b>Total Cemetery</b>	\$ 1,454	\$ 1,750	\$ 296
<b>TOTAL GENERAL GOVERNMENT</b>	<b>\$ 45,418</b>	<b>\$ 47,536</b>	<b>\$ 2,118</b>

The notes to the financial statements are an integral part of this report.

# HEMATITE TOWNSHIP

## STATEMENT OF EXPENDITURES - GENERAL FUND ACTUAL AND BUDGET (CONTINUED)

*FISCAL YEAR ENDED MARCH 31, 2008*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>FAVORABLE (UNFAVORABLE)</u>
<b><u>TOWNSHIP PROPERTY</u></b>			
<b><u>Township Hall</u></b>			
Salaries	\$ 3,238	\$ -	\$ -
Fringe Benefits	366		
Supplies	631	-	-
Gasoline and Oil	92		
Insurance	8,203	-	-
Utilities	3,608		
Telephone	2,549	-	-
Maintenance and Repair	798		
Hydrant Rental	3,000	-	-
Mileage	210	-	
	<hr/>	<hr/>	<hr/>
<b>Total Township Hall</b>	22,695	24,054	1,359
<b>TOTAL TOWNSHIP PROPERTY</b>	<b>\$ 22,695</b>	<b>\$ 24,054</b>	<b>\$ 1,359</b>
<b><u>DEPARTMENT OF PUBLIC WORKS</u></b>			
Streets and Roads :			
Salaries	550	-	-
Fringe Benefits	42		
Supplies	29	-	-
Maintenance	14,671		
Equipment Rental	220		
Street Lighting	6,372		
	<hr/>	<hr/>	<hr/>
<b>TOTAL DEPARTMENT OF PUBLIC WORKS</b>	<b>\$ 21,884</b>	<b>\$ 23,522</b>	<b>\$ 1,638</b>
<b><u>PUBLIC SAFETY</u></b>			
Fire Protection			
Professional Fees/Contracted Services	1,381	-	-
Supplies	744		
Gasoline and Oil	514	-	-
Insurance	6,634		
Purchased Service	3,574	-	-
Maintenance and Repairs	865		
Training	356		
Miscellaneous	695	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL PUBLIC SAFETY</b>	<b>\$ 14,763</b>	<b>\$ 13,400</b>	<b>\$ (1,363)</b>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
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**STATEMENT OF EXPENDITURES - GENERAL FUND  
ACTUAL AND BUDGET  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>RECREATION AND CULTURAL</u></b>			
Parks and Recreation			
Salaries	\$ 3,417	\$ -	\$ -
Fringe Benefits	261		
Supplies	393		
Gasoline and Oil	180		
Utilities	4,682	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL RECREATION AND CULTURAL</b>	<b>\$ 8,933</b>	<b>\$ 10,672</b>	<b>\$ 1,739</b>
<b>COMMUNITY PROMOTIONS</b>	<b>\$ 1,500</b>	<b>\$ 1,500</b>	<b>\$ -</b>
<b>CAPITAL OUTLAY</b>	<b>-</b>	<b>500</b>	<b>500</b>
<b>TOTAL EXPENDITURES</b>	<b>128,450</b>	<b>135,623</b>	<b>7,173</b>
<b><u>OTHER FINANCING USES</u></b>			
Transfer to Other Funds :			
Liquor Law Enforcement Fund	71	-	(71)
Debt Service Fund	13,255	7,745	(5,510)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL OTHER FINANCING USES</b>	<b>13,326</b>	<b>7,745</b>	<b>(5,581)</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b><u>\$ 141,776</u></b>	<b><u>\$ 143,368</u></b>	<b><u>\$ 1,592</u></b>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
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**BALANCE SHEET - LIQUOR LAW ENFORCEMENT FUND**

*MARCH 31, 2008*

**ASSETS**

Cash

\$ -

**TOTAL ASSETS**

**\$ -**

**FUND EQUITY**

Fund Balance

\$ -

**TOTAL FUND EQUITY**

**\$ -**

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
--------------------------

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
LIQUOR LAW ENFORCEMENT FUND – ACTUAL AND BUDGET**

*FISCAL YEAR ENDED MARCH 31, 2008*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>REVENUES</u></b>			
State Grants	\$ 908	\$ -	\$ -
 <b>TOTAL REVENUES</b>	 <b>\$ 908</b>	 <b>\$ 1,000</b>	 <b>\$ (92)</b>
 <b><u>EXPENDITURES</u></b>			
Public Safety :			
Constable Wages	909	-	-
Fringe Benefits	70		
Supplies	-		
 <b>TOTAL EXPENDITURES</b>	 <b>\$ 979</b>	 <b>\$ 1,076</b>	 <b>\$ 97</b>
 Excess of Revenues Over (Under) Expenditures	 (71)	 (76)	 5
 <b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers In (Out)	71	-	71
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 - (76)	 (76)	 76
 FUND BALANCE, APRIL 1	 -		
 <b>FUND BALANCE, MARCH 31</b>	 <b>\$ -</b>		

The notes to the financial statements are an integral part of this report.



<b>HEMATITE TOWNSHIP</b>
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**BALANCE SHEET - AMASA COMMUNITY LIBRARY**

*MARCH 31, 2008*

**ASSETS**

Cash	<u>\$ 19,320</u>
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<b>TOTAL ASSETS</b>	<b><u>\$ 19,320</u></b>
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**FUND EQUITY**

Fund Balance	<u>\$ 19,320</u>
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<b>TOTAL FUND EQUITY</b>	<b><u>\$ 19,320</u></b>
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The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
--------------------------

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
AMASA COMMUNITY LIBRARY – ACTUAL AND BUDGET**

*FISCAL YEAR ENDED MARCH 31, 2008*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>REVENUES</u></b>			
Penal Fines	\$ 3,641	\$ 4,500	\$ (859)
Interest	499	-	499
<b>TOTAL REVENUES</b>	<b>\$ 4,140</b>	<b>\$ 4,500</b>	<b>\$ (360)</b>
 <b><u>EXPENDITURES</u></b>			
Books and Periodicals	3,528	5,000	1,472
Supplies	934	2,000	1,066
Computer Support	150	-	(150)
Telephone	505	500	(5)
Miscellaneous	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,117</b>	<b>\$ 7,500</b>	<b>\$ 2,383</b>
 Excess of Revenues Over (Under) Expenditures	 (977)	 (3,000)	 2,023
 <b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers In (Out)	-	1,000	(1,000)
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 (977)	 (2,000)	 1,023
 FUND BALANCE, APRIL 1	 20,297		
<b>FUND BALANCE, MARCH 31</b>	<b><u>\$ 19,320</u></b>		

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
--------------------------

**BALANCE SHEET - DEBT SERVICE FUND**

*MARCH 31, 2008*

**ASSETS**

Cash	\$ -
------	------

<b>TOTAL ASSETS</b>	<b>\$ -</b>
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**FUND EQUITY**

Fund Balance	\$ -
--------------	------

<b>TOTAL FUND EQUITY</b>	<b>\$ -</b>
--------------------------	-------------

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DEBT  
SERVICE FUND**

*FISCAL YEAR ENDED MARCH 31, 2008*

**REVENUES**

\$ -

**TOTAL REVENUES**

\$ -

**EXPENDITURES**

Principal

12,000

Interest

1,255

**TOTAL EXPENDITURES**

\$ 13,255

Excess of Revenues Over  
(Under) Expenditures

(13,255)

**OTHER FINANCING SOURCES (USES)**

Operating Transfers In (Out)

\$ 13,255

Excess of Revenues and Other  
Sources Over (Under)  
Expenditures and Other Uses

-

FUND BALANCE, APRIL 1

-

**FUND BALANCE, MARCH 31**

**\$ -**

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
--------------------------

**BALANCE SHEET - WATER FUND***MARCH 31, 2008***ASSETS**

Cash and Deposits:	
Restricted	\$ 18,533
Unrestricted	29,492
Accounts Receivable	5,230
Due From Other Funds	32,921
Construction in Progress	32,777
Property, Plant and Equipment	1,226,958
Accumulated Depreciation	<u>(68,150)</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,277,761</u></b>

**LIABILITIES AND FUND EQUITY****LIABILITIES**

Deferred Revenue	816
Bonds Payable	<u>243,617</u>
<b>TOTAL LIABILITIES</b>	<b>244,433</b>

**FUND EQUITY**

Retained Earnings	<u>1,033,328</u>
<b>TOTAL FUND EQUITY</b>	<b>1,033,328</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 1,277,761</u></b>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
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**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -  
WATER FUND**

*FISCAL YEAR ENDED MARCH 31, 2008*

**OPERATING REVENUE**

Charges for Services	\$ 56,789
Hydrant Rental	3,000

<b>TOTAL OPERATING REVENUE</b>	<b>\$ 59,789</b>
--------------------------------	------------------

**OPERATING EXPENSES**

Personal Services	3,867
Fringe Benefits	296
Supplies	2,546
Computer Services and Supplies	1,430
Equipment, Repairs and Maintenance	368
Water Purchases	18,192
Testing/Fees	1,078
Legal Services	826
Purchased Services	613
Insurance	85
Mileage	994
Dues	200
Training	30
Miscellaneous	2,004
Depreciation	19,428

<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 51,957</b>
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Operating Profit (Loss)	7,832
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**NON-OPERATING INCOME**

Interest Income	779
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<b>TOTAL NON-OPERATING INCOME</b>	<b>\$ 779</b>
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**NON-OPERATING EXPENSE**

Interest Expense	(11,582)
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<b>TOTAL NON-OPERATING EXPENSE</b>	<b>\$ (11,582)</b>
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Net Income (Loss)	(2,971)
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RETAINED EARNINGS, APRIL 1	1,036,299
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<b>RETAINED EARNINGS, MARCH 31</b>	<b><u>\$ 1,033,328</u></b>
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The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
--------------------------

**STATEMENT OF CASH FLOWS - WATER FUND***FISCAL YEAR ENDED MARCH 31, 2008***CASH FLOWS FROM (USED BY)****OPERATING ACTIVITIES**

Net cash received from fees and services	\$ 58,644
Other operating revenues	3,000
Cash payments to employees for services	(4,163)
Cash payments to goods and services	(28,366)
Other operating expenses	<u>-</u>

<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 29,115</b>
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**NON CAPITAL AND FINANCING ACTIVITIES**

Increase (decrease) in due to other funds	
(Increase) decrease in due from other funds	17,213
Net operating transfers in (out)	<u>-</u>

<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>17,213</b>
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**CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(39,435)
Principal payment on long-term bonds	(20,383)
Interest paid on long-term bonds	<u>(11,582)</u>

<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ (71,400)</b>
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**INVESTING ACTIVITIES**

Interest Income	<u>779</u>
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<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>\$ 779</b>
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<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(24,293)</b>
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Cash and Cash Equivalents, Beginning of Year	<u>72,318</u>
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<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 48,025</b>
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The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
--------------------------

**STATEMENT OF CASH FLOWS -WATER FUND  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2008*

**CASH FLOWS FROM OPERATING  
ACTIVITIES**

---

Operating Income	\$ 7,832
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	19,428
. Provision for uncollectible accounts	-
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	1,929
Increase (Decrease) in accounts payable	-
Increase (Decrease) in deferred revenue	(74)
Increase (Decrease) in customer deposits	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b><u>\$ 29,115</u></b>

The notes to the financial statements are an integral part of this report.



<b>HEMATITE TOWNSHIP</b>
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**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - TRUST AND AGENCY FUND**

*FISCAL YEAR ENDED MARCH 31, 2008*

	<u>Balance 3/31/2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/2008</u>
<b><u>ASSETS</u></b>				
Cash	\$ 59,943	\$ 586,552	\$581,418	\$ 65,077
<b>TOTAL ASSETS</b>	<b><u>\$ 59,943</u></b>	<b><u>\$ 586,552</u></b>	<b><u>\$581,418</u></b>	<b><u>\$ 65,077</u></b>
<b><u>LIABILITIES</u></b>				
Due to Other Funds	697	78,240	78,912	25
Due to State of Michigan	-	37,506	37,506	-
Due to Schools	-	202,096	202,096	-
Due to DIISD	-	25,292	25,292	-
Due to County	-	237,474	237,474	-
CFR to be Distributed	59,246	5,806	-	65,052
Due to Other	-	138	138	-
<b>TOTAL LIABILITIES</b>	<b><u>\$ 59,943</u></b>	<b><u>\$ 586,552</u></b>	<b><u>\$581,418</u></b>	<b><u>\$ 65,077</u></b>

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
**Hematite Township**  
Amasa, Michigan 49903

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of **Hematite Township**, Amasa, Michigan, as of and for the year ended March 31, 2008, which collectively comprise **Hematite Township**, Amasa, Michigan's basic financial statements, and have issued our report thereon dated July 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and with the standards prescribed by the State Treasurer.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Hematite Township**, Amasa, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Hematite Township**, Amasa, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of **Hematite Township**, Amasa, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects **Hematite Township**, Amasa, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of **Hematite Township**, Amasa, Michigan's financial statements that is more than inconsequential will not be prevented or detected by **Hematite Township**, Amasa, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by **Hematite Township**, Amasa, Michigan's internal control.

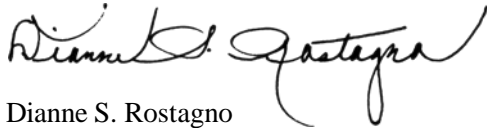
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Hematite Township**, Amasa, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of **Hematite Township**, Amasa, Michigan, in a separate letter dated July 14, 2008.

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno", written in a cursive style.

Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

July 14, 2008

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

Members of the Township Board  
**Hematite Township**  
Amasa, Michigan 49903

In planning and performing the audit of the financial statements of **Hematite Township**, Amasa, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control structure to plan the auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express an opinion on the effectiveness of **Hematite Township**, Amasa, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects **Hematite Township**, Amasa, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of **Hematite Township**, Amasa, Michigan's financial statements that is more than inconsequential will not be prevented or detected by **Hematite Township**, Amasa, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by **Hematite Township**, Amasa, Michigan's internal control.

During our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. They are divided into three categories: significant deficiencies, material weaknesses, and other matters.

## **MATERIAL WEAKNESS**

There are no matters to report.

## **SIGNIFICANT DEFICIENCIES**

**New Comments**

**Ability to Prepare Financial Statements and Related Note Disclosures**

Like other local units of government of similar size, limited financial summaries and abbreviated financial statements are made available for the Board members. The Township relies on auditors to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Board members review and accept the financial statements on behalf of the Township. The hiring of additional personnel to prepare the financial statements would not be cost effective.

**Recommendation**

Members of the Board should remain involved in the financial reporting process to provide an oversight function. Township officials agree and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

**Audit Adjustments**

The Township relies on its auditors to prepare year-end non-recurring adjusting journal entries to adjust its financial statements. Board members review and accept the adjusting entries on behalf of the Township.

**Recommendation**

Members of the Board should continue to review and approve non-recurring entries. Township officials agree and will continue to use the auditor's assistance in preparing year-end adjusting journal entries.

**Significant Deficiencies Communicated in Prior Years**

There are no matters to report.

**OTHER MATTERS**

**New Comments**

**ELECTED AND APPOINTED OFFICIALS**

Elected and appointed officials are defined by statute as employees of the public entity they serve. Because they are considered employees, they are subject to social security and medicare withholding.

The Township's Board of Review members are not currently being treated as employees for payroll purposes.

**Hematite Township**  
**Page Three**

**OTHER MATTERS (Continued)**

**ELECTED AND APPOINTED OFFICIALS (Continued)**

**Recommendation**

It is recommended that compensation for all elected and appointed officials be reported as payroll from which the Township must withhold the mandatory social security and medicare.

**Matters Communicated in Prior Years**

**BUDGETS**

Public Act 621 of 1978, Section 17 (1), as amended, provides that a local unit shall not incur expenditures in excess of amounts appropriated.

During the fiscal year ended March 31, 2007, the Township had several expenditures in excess of the amounts appropriated.

**Prior Recommendation**

It was recommended that budgeted amounts be compared to actual expenditures and the budget amended accordingly.

**Resolution**

Although largely improved from the prior year, there were several expenditures which exceeded the amounts appropriated for the fiscal year ended March 31, 2008.

**Current Recommendation**

It is recommended that the Township closely monitor its expenditures, and amend the budget as needed. Township officials concur, and will do so.

**CHART OF ACCOUNTS**

**Problem**

In conjunction with the prior audit, it was noted that the State of Michigan has established a uniform chart of accounts, to be used by all municipalities in the State of Michigan. The Township was not properly utilizing this chart of accounts. Although each account type (assets, liabilities, revenues, and expenditures) has a standard range under this system, the Township was using some account numbers incorrectly. For example, expenditure numbers are incorrectly being used for revenues, etc.

**Recommendation**

It was recommended that the Township review each account number and account type, and correct these numbers as required by the State of Michigan.

**OTHER MATTERS** (Continued)

**CHART OF ACCOUNTS** (Continued)

**Resolution**

Some problems continue to exist with the use of account numbers.

**Current Recommendation**

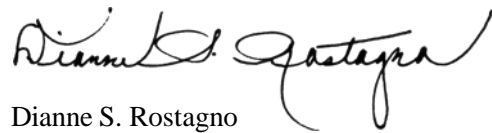
The Township should review each account type and number, and correct the chart of accounts as necessary.

This letter does not affect our report dated July 14, 2008 on the financial statements of **Hematite Township**, Amasa, Michigan. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate Township officials, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, or to assist you in implementing the recommendations.

It has been a pleasure working with Township officials, and we wish to express our appreciation for their cooperation and assistance during the audit engagement.

This communication is intended solely for the information and use of management, those charged with governance, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

July 14, 2008